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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 003651

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SUBJECT: TWO VIEWS OF TAIWAN'S MEDIA AND THEIR POLITICAL
USES

Classified By: AIT Director Douglas Paal; Reasons: 1.4 (B/D)

1. (C) Summary. A recent report authored by the KMT's National Policy Foundation (NPF) alleges that the Democratic Progressive Party (DPP), via the Government Information Office (GIO), is manipulating Taiwan's media and suppressing negative press reporting through its authority to regulate the media licensing process. The report also claims that Taiwan's media outlets are reluctant to go too far in criticizing the government because they rely on advertising revenue from government-owned banks and enterprises. GIO officials maintain that these claims by the NPF are baseless and that the GIO operates within the laws of the 1976 Broadcasting and Television Act. The GIO asserts media reform is long overdue and that reform efforts are targeting all underground stations and not just those that are pro-DPP. They also added that the GIO's advertising budget compromises only about 2 percent of Taiwan's entire advertising budget. End summary.

GIO Implementing Media Reforms

2. (C) Taiwan's GIO has embarked on a broadcasting reorganization plan that aims to restructure public-owned radio networks and reorganize the distribution of frequencies. The plan also calls for the easing of the process for "underground radio" stations to register legally with the government. The opposition has criticized the plan because it will require some KMT controlled broadcasting companies, particularly the Broadcasting Corporation of China (BCC), to return some of its existing frequencies to the government for redistribution in the media market. Legislation was also passed last year that bars the government and political parties from owning or running media organizations and calls for the creation of a National Communications Commission (NCC) to replace the GIO in overseeing the operations of the broadcast media. The NCC is expected to begin operations in 2005.

KMT Unhappy with Reforms

3. (C) KMT supporters argue that the DPP, under the auspices of the GIO, is interfering with the media and undermining the freedom of the press in Taiwan. Professor of Journalism Huang-fu Ho-wang, one of the contributors to the NPF report, met with AIT to articulate his concerns regarding perceived DPP abuses against KMT controlled media outlets and the general state of the press in Taiwan. Huang-fu lamented that never has the GIO been so powerful and that it is abusing its power in the radio and television station licensing process. As a member of the GIO licensing committee for 6 years in the 1990s, Huang-fu stated he is fully aware of the license renewal process and that the GIO is operating illegally in terms of how it is taking back radio station frequencies from the BCC. He alleged that the DPP is trying to retaliate against media outlets run by the KMT and is only seeking to help those unlicensed radio stations become legitimate that helped President Chen during the election campaign.

GIO Claims Actions are Legal

4. (C) GIO officials maintained that the GIO operates according to the Broadcasting and Television Act of 1976, which was passed under the KMT. AIT met with Tseng Yi-hung, the GIO's Deputy Director of Broadcasting Affairs, and Chi-shen Ho from the GIO's Department of Radio and Television Affairs, to discuss the NPF accusations. Under the act of 1976, the GIO is authorized to renew licenses for local television and radio stations every two years and according to Tseng, the GIO has never in its history revoked the license of any radio or television station. Tseng pointed out that the GIO has been planning to promote media reform for a long time and that this year was the optimal time because the GIO is currently reviewing station licenses. The BCC has the largest number of frequencies in Taiwan, and had agreed in 1992 (under the KMT) to return 14 frequencies that had been previously used to block radio broadcasting from mainland China. Tseng added that the BCC already had agreed to give up these frequencies several years ago and even after the reforms, they will still be the largest radio network in

Taiwan. Despite the 1992 agreement, the KMT has complained about the manner in which the GIO is forcing the BCC to sell the frequencies and the requirement that the frequencies cannot be sold to a foreign investor, the result of which makes the properties' value significantly reduced.

15. (C) Concerning the issue of streamlining the licensing process for underground stations, Tseng noted that these underground stations have been a problem for several years and that they do not pay taxes and are unregulated. Thus, the GIO decided it would be in Taiwan's best interest to find a way to legalize these stations. In response to AIT questions about the DPP loyalty of these stations, Tseng said that these illegal stations are located throughout Taiwan and not just in the DPP-leaning south. Tseng said that it is simply untrue that their efforts are benefiting pro-DPP stations because the new process will allow all underground stations, including pro-KMT stations, to become legal. (Note: We have no information available on the actual locations of these underground stations to confirm if the majority are in the south as claimed by the NPF. End note).

Media Market too Saturated?

16. (C) Huang-fu also charged that Taiwan's relatively small media market is unable to support its large broadcasting and print media industry. He argued that because Taiwan's media outlets are so numerous, there is intense competition for advertising revenue. As such, media companies are reluctant to go too far in criticizing the government because stations and newspapers are reliant on government funds for advertising revenue and government banks to provide loans. Huang-fu said this situation allows the government to use its political influence and financial leverage to interfere with media reporting to ensure positive coverage. He commented on the case of the China Times, where according to Huang-fu, since legal actions were taken against one of its reporters, the paper had become less critical of the government. Huang-fu is certain that the paper is under financial pressure after it acquired loans from banks, which he claims are under the control of the DPP. (Note: In 2001, the China Times laid off personnel. We have no information available to confirm the paper's current financial situation. However, the paper's circulation has dropped from number one to number three over the past two years. End note).

17. (C) Tseng agreed that Taiwan's media market is substantial considering the small size of the island. But he commented that this is an example of how Taiwan's press is open and represents the full spectrum of views within society. In terms of government influence in the market through advertising, Tseng told AIT the GIO's advertising budget totaled about \$30 million (NT\$1 billion). The budget is focused on publishing new government policies or administrative measures--like SARS awareness last year. According to Tseng, this budget accounts for only 4 percent of the television and radio advertising market of \$735-880 million (NT\$25-30 billion) and less than 2 percent of the entire media advertising market of \$1.75 billion (NT\$60 billion) in Taiwan.

DPP Using Other Tools to Influence?

18. (C) Huang-fu also asserted that the DPP is tightening control of the media through other organizations such as the Taiwan Advertiser's Association (TAA) and the Broadcasting Development Fund (BDF). Huang-fu characterized these organizations as political arms of the DPP which are being used to influence the media. The TAA is composed of 33 private corporations, which formed the organization in 2000, to encourage quality media programs and accurate reporting. Huang-fu noted that most of the corporations who are members of the TAA donated heavily to the DPP during the recent election campaign. The BDF is financed from the tax revenue of radio and TV stations and designed to promote television and radio station interests. Huang-fu said that the organization merely serves as a DPP pawn used to reward pro-DPP station owners with cash.

19. (C) Tseng pointed out that the TAA is a private organization with a broad goal of improving local television and radio programs. The government has no influence who joins, and any corporation is eligible to participate. Tseng said many of the member corporations are not involved in the TAA's decision making process and do not always agree with the TAA's recommendations. As far as the BDF is concerned, Tseng noted the BDF has seen its revenues drop from about \$15

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million (NT\$500 million) in 2002 to \$300,000 (NT\$10 million) in 2003 due to Taiwan's economic slowdown. He claimed that the BDF has little influence or ability to change government policies and does not play a significant role in influencing

actual programming.

Final Thoughts

110. (C) Tseng summed up the government's position by saying the GIO is merely trying to make much needed reforms to Taiwan's media industry and denied that the GIO is abusing its power. Doing so would raise criticism not only lawmakers, but also from the public at large since the media business is so transparent. According to Tseng, if the GIO were really trampling the free press on behalf of the DPP, all of Taiwan and the world would be able to see it. Tseng also said that media reform is a controversial task and not everyone is going to be happy. He speculated that many in the KMT are likely unhappy because these reforms are being carried out as quickly as possible. Huang-fu's final remarks were centered on that he is not a KMT member, but concerned for all the people in Taiwan. He wanted to emphasize that everything in the NPF report that he and his colleagues used was publicly available. This was not a partisan witch-hunt comprised of made up events designed to criticize the DPP. Huang-fu said that he and his colleagues only wanted to show the public what was happening to the free press in Taiwan.

Comment: Lots of Smoke

111. (C) The DPP has used EY advertising funds for political ends in the past, most notably during the 2004 presidential election when EY-sponsored ads were indistinguishable from party campaign commercials. Proof of more insidious media manipulation, however, is harder to come by. In a report released in October, Taiwan was ranked 60th among 167 countries and areas for press freedom by the Reporters without Borders organization. There is no doubt that the Taiwan media market is saturated and in dire need of a major shake-out. The weak financial state of media outlets makes them vulnerable to political manipulations from both sides, although the government clearly has the greater variety of tools. While depoliticization of the media has been a DPP goal for much of the party's existence, the current polarization of Taiwan's political spectrum makes it unlikely that any action by a DPP government on media reform will be really balanced fairly between Green and Blue broadcasters or be perceived as fair and non-biased.

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